

Seasonality Success

WINNING STRATEGIES FOR PROFITABLE FIRMS



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A TOOL FOR SUCCESS FROM PCPS

Seasonality Success, Winning Strategies for Profitable Firms, is a quarterly PCPS newsletter dedicated to helping CPA firms enhance their peak season possibilities.

Each quarter, we'll focus on great ideas in four key practice management areas:

- Positioning
- Client Strategies
- People
- Systems and Processes

Every article will look at practical, hands-on solutions that can make your practice more effective and efficient based on the experiences of other successful practitioners.

According to the U.S. Census Bureau, in December 2004, the latest year for which data were available, retail sales by the nation's department stores totaled \$31.9 billion, a 54% jump from the previous month. A strong peak holiday season is considered a joyous event in the retail industry. As CPAs consider their overall business models to ensure the greatest satisfaction and efficiency for their firms, this newsletter will help them maximize their chances for professionally and personally satisfying outcomes of their own.

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POSITIONING

How Else Can I Help You?

Tax season is a great time to sell further services to existing tax clients. Ed Mendlowitz, CPA/ABV/PFS, of WithumSmith + Brown, New Brunswick, New Jersey, has found that over a 10-to-12-year period, he will get an average of one added engagement from each of his tax clients, which translates into new assignments from roughly 8% of all clients each year. The trick is for firms to poise their practices to be ready for the opportunities awaiting them.

In this issue, Mendlowitz, author of *Managing Your Tax Season*, among other books, offers tips on how to maximize busy season opportunities.

Change your mindset. “Accountants treat tax season clients like once-a-year clients,” but they can be year-round clients, says Mendlowitz. The tax season interview is a great time to learn information about changes in clients’ lives, including retirement plans, children heading for college or dreams of opening a business. CPAs can then use this information to provide added services throughout the year.

CPAs can also undertake an ongoing process to distinguish themselves as trusted advisers who do more than put together a return once a year. “I try to call every client during the summer to say hello and ask about the changes in their lives,” he says. “It’s very important to continue to sell to your existing client base. We often overlook providing our existing clients with the services they need while we try to sell to a new client we don’t know.” In one case, Mendlowitz made the effort to maintain contact with a \$300 tax return client. When the client got married, Mendlowitz received \$86,000 worth of business for a company owned by the client’s new spouse.

However, it can be difficult to get all firm members on board in the lead generation effort. He advises training partners who sign returns and other professionals who review them to spot opportunities for additional work. The next step is to follow up with the client. For example, when a client has a large refund, someone in the firm can call to discuss planning options.

Have an agenda. Mendlowitz advises making a list of questions for clients and following up with them on items that should be addressed after tax season is over. Areas to consider might be:

- *New tax laws.* Changes in clients’ planning and investments may be necessary based on recent revisions in tax regulations.
- *The lack of a will.* “People often think estate planning is only for wealthy people,” he notes. He reminds clients who have recently had a baby or experienced another life change about the need to create or update a will and embark on any related estate planning.
- *Low-yielding investments.* Clients in poorly performing investments or with badly constructed portfolios might not be aware of other options or of how their investments compare to more attractive choices.
- *Retirement dreams without concrete plans.* A client might casually mention

a desire to retire sometime in the near term, but further conversation on the subject may reveal that his or her savings are inadequate.

- *The need for an insurance update.* This can encompass advice on life insurance and touch on issues such as long-term-care insurance or other necessary coverage as appropriate to the client’s situation.

Introduce year-end tax planning. Mendlowitz recommends meeting with wealthier clients with more complicated finances in November for a year-end tax planning session. Because of the value of this service “I charge more for it than I do for the return,” he says. “Firms sometimes believe the next client will be better than ones they have,” Mendlowitz concludes. “They shouldn’t miss the chance to do a greater service for their existing clients.”

Action Agenda

Tips for putting these ideas into practice in your firm:

ACTION ITEM	TEAM CHAMPION	DUE DATE
1. Create a list of questions to ask clients during the tax season interview to learn more about possible other engagement opportunities. Topics could include retirement or estate planning, children heading for college, responsibility for aging parents and plans to open a business or change careers.		
2. When changes in tax law occur, consider how they affect existing clients and what help they may need with, say, investment advice, retirement or estate concerns as a result.		
3. Call clients once a year—outside of tax season—to touch base and demonstrate concern for them.		
4. Train anyone who handles a return to be on the lookout for cross-selling opportunities. Have them add their ideas to a database. After tax season, firm members can follow up with clients to discuss how the firm can help.		
5. Meet with wealthy clients for year-end tax planning to set strategies for the current season and for the future.		

CLIENT STRATEGIES

Making the Perfect Match

While busy season opens up many practice development opportunities, not all clients are right for every firm. Two practitioners offer their proven tactics for accepting the best clients and filtering out potential problem relationships.

A Clear Vision

Adele Bolson's vision for her firm is "to practice my profession in peace and prosperity." That sound foundation has helped the Bellevue, Washington, sole practitioner develop clear and simple criteria for the clients she wants to serve. Her clients must:

- Live with honesty and integrity.
- Be pleasant people, not grouches.
- Have interesting economic lives.
- Offer high realizations with little change from her standard rates.
- Use some of her services outside of March or early April.
- Not complain about fees and should pay according to her terms.

To determine whether a client is likely to meet these standards, Bolson offers free half-hour get-acquainted meetings to new clients. "One sign that there could be a problem is if their first question is about my rates," she says.

The criteria are very useful when Bolson terminates a client, which happens less than once a year. "I tell them about the criteria and which ones they do and do not meet," she says. "It makes negotiations so much easier. I can tell them, say, that it's not my policy to have clients who take six months to pay their bills, so maybe they need another CPA." Discussing integrity is more challenging, but Bolson has found diplomatic ways to make her point. For example, she might say that a client wants to be more aggressive on a return than is her policy.

Telephone communications are sometimes a good litmus test for a client who may not belong. "I have told staff that they don't have to tolerate abusive behavior or bad language on the phone," she says. There are also subtler clues to personality problems. "When I hear that a client is on the phone and I dread having to talk to them, that's one indication the relationship isn't working."

Stand by Your Standards

Clients that come to the firm at tax season are often people or companies who have left their planning to the last minute. But does your firm want these clients? “Most of the new client calls we get during busy season would not pass any kind of filter for client acceptance,” says Bill Pirolli of Pirolli Deller & Conaty PC in Warwick, Rhode Island. “They usually are people who don’t have a very good handle on their finances.” While new business is always welcome, taking a discriminating approach to client acceptance can benefit the firm in the long-run by identifying difficult clients and leaving firm members more energy to focus on the most promising relationships. How can firms accomplish this goal?

Set rules

The best way to avoid taking on troubled clients is to create strict rules for client acceptance and discuss them up front. “We tell the clients how the engagement will run, when we will bill them, what the work product will look like and what expectations we have of them,” says Pirolli. “We let them know that we’re interviewing them, too.”

Set high standards

Pirolli’s firm prefers not to take clients who are seeking nothing more than compliance work. “If we think they see us as a necessary evil, we walk away,” he says. Instead, the firm tries to focus on clients that will appreciate the added value that the firm can offer. To attract these clients, the firm aims to set fees at the high end of the range in its market.

Talk dollars and cents

Pirolli believes clients expect to hear about fees early in the process. “You confuse the client when you don’t talk about money,” he says. His firm informs clients about minimum pricing guidelines for individual or corporate returns, asks for a retainer up front and bills quarterly. “There are many clients who are happy to hire you when cost hasn’t been mentioned,” he says. “But when you ask for money in the first interview, that’s when the rubber hits the road.”

Action Agenda

How to put these ideas into action:

ACTION ITEM	TEAM CHAMPION	DUE DATE
1. Create a firm mission. If practitioners think about why they're in business, it will help them consider what kinds of client relationships they're seeking.		
2. Define a good client. Don't imagine the ideal client, but think about what you would expect from every relationship, including honesty and respect for your standards and guidelines.		
3. Use the mission and definition to set rules for client acceptance.		
4. Communicate your standards. Tell clients in detail about your expectations in the first meeting. Discuss fees and how and when you expect to be paid.		

PEOPLE

Are We Having Fun Yet?

Does your firm have a great time during busy season? That may be asking a lot, but many practices make a real effort to enjoy themselves as much as possible during this action-packed time. Minimizing stress this way is not only a great retention tool, but it also makes life more, well, fun. Our top tips include:

- *Have a purpose.* Good works or exemplary efforts are rewarded in a busy season game at Atlanta-based Porter Keadle Moore. In the first year it was played, all firm members were asked to be “secret agents” who quietly nominated for recognition colleagues who had done something great for a client or coworker, says partner Debbie Sessions. Both the nominee and the secret agent got a point each time a nomination was made, and whoever accumulated the most points each week won a gift certificate. In recent years, the firm has split into teams, with team members choosing a theme and pushing each other to take part and make nominations. This was very successful because of the team spirit involved, according to Sessions. “One year each team was a band of pirates, and last year they were all bands. We had rock & roll bands, country & western, salsa, rap,” she says. At the end of the season, members of the winning team split cash prizes or receive gifts. The firm is primarily an audit practice, so “it’s a way for the audit folks who are out of the office a lot to feel connected,” she says.
- *Pick a theme.* One year, Brady Ware chose “Cruising through Tax Season,” serving different foods at each “port of call,” says director Rita Keller. To kick things off, the firm administrator and human resources director of

the Midwest-based firm dressed as cruise directors and welcomed each “passenger.” One week, pirates overtook the cruise. In another variation, firm members can pick a day to dress according to a theme—Western or Hawaiian, for example—or sport a sweatshirt with their favorite college logo on Saturdays. Disco is the theme after 7 at night at Goff Chaffee Geddes, in Bellevue, Washington, and the music brightens the mood, according to office manager Jodie Harris. The firm also buys dinner for staff who work late.

- *Eat!* In our last issue, we described a firm that organized fiestas once a week during tax season. Other possibilities include regular or end-of season happy hours, lunches or parties; a continental breakfast awaiting staff on weekends; and make-your-own ice cream sundae parties. No matter what you pick, the occasion allows staff to take a break from the ordinary.
- *Buy toys and play games.* Tamera Loerzel of Convergence Coaching points to firms that pass out nerf balls with small hoops or place a foosball table in the break room. “It gives people a place to have fun in their spare time,” she says. Keller recommends treasure hunts with money or prizes hidden throughout the firm, playing bingo over the firm’s loud speaker or setting up putt-putt golf in the hallways.
- *Celebrate.* Keller suggests that firm members drop cards to each other into a decorated box on Valentine’s Day, just as kids did in elementary school. A firm might also offer special treats on Valentine’s or St. Patrick’s Day. Goff Chaffee & Geddes forgoes the typical end-of-season party, instead letting staff take off both April 15 and 16. The practice also advises everyone to take off one day each week.
- *Make life easier.* Weekend chair massages go a long way toward reducing stress and putting everyone in a better mood. Similarly, Loerzel suggests firms find out whether dry cleaners and other service providers might be willing to make pick ups and drop offs at firm offices so that staff can avoid spending their limited free time on errands.
- *Welcome new firm members.* Keller recommends holding a reception in honor of the busy season interns at the end of January and inviting the entire firm to meet them. The firm may one day try to recruit these interns as staff, so it’s a great way to introduce them to the practice.

SYSTEMS AND PROCESSES

My CPA Says ... Extend!

Does your firm use extensions for client tax returns? While some practitioners have doubts about extensions—and concerns about negative client reaction to them—many see their advantages. “We like them and we use them to buy more time and make clear what our expectations are,” says Peggy Ullmann, of Ullmann & Company in Phoenix. Extending some returns can become an excellent time management tool during busy season, but there is an art to making it work, according to practitioners interviewed for this article.

Perform some education. Clients should be informed up front of the firm’s expectations for timely and orderly submissions of financial information. “We have to instruct the client that from the CPA’s point of view, it’s best to do things on time,” says Stuart Kessler, senior tax partner at Goldstein Golub Kessler LLP. “You have to let them know it’s not acceptable to turn in information on April 10.” As part of that process, “it’s not wrong to tell clients that they’ll get better service if they get things in on time,” he says. “Tell them that if the information comes in after a certain date, the return will go on extension so that you can concentrate on their needs.”

Remember, too, that deadlines and other expectations may vary depending on the situation. Even if the information for a complicated return arrives in March, Ullmann might advise the client to take an extension. “I let them know it will allow me to spend more time on the return later.”

Put things in perspective. “I used to train clients to ignore deadlines,” Ullmann admits, because she would complete returns no matter when client information arrived. Now, when a return comes in late in the process, “I tell the client, ‘We have 52 returns in house now that we have to get to before we get to yours. We’ll do the best we can to complete yours by April 15, but it might be best if we take an extension.’” This approach allows her to underscore the importance of timeliness without blaming clients for being late.

In her efforts to paint a better picture for clients, “I tell them that, unlike a retail store, I don’t have another hour to pull off the shelf,” says Adele Bolson, a sole practitioner in Bellevue, Washington.

Discuss costs. Kessler points out that CPAs do have to spend time on the extension process, looking over the information and projecting the taxes due, and thus might decide to charge extra for an extension. The PCPS brochure *My CPA Says “Extend”: What Does That Mean to Me?* offers advice on how to broach the topic with clients. CPAs can assure clients that neither the IRS nor the states charge for an extension, but that the time that the CPA spends estimating the balance due and preparing the extension is included in their total charges.

Dispel myths. Practitioners report that some clients believe that taking an extension will bring down the wrath of the IRS and trigger an audit, while others are convinced that filing in October helps them avoid an audit.

“There are no statistics that indicate that an extension will bring on or prevent an audit,” says Kessler, who has seen clients subjected to audits even though they have filed in October.

Make use of available resources. Practitioners can use the PCPS brochure *My CPA Says “Extend”: What Does That Mean to Me?* to help clients understand the extension process. It’s written in an easy-to-understand Q&A format and practitioners print their firm name and contact information on the brochure to use it as a marketing tool. It can be found at <http://pcps.aicpa.org/Resources/Changes+in+Tax+Law/My+CPA+Says+Extend++What+Does+That+Mean+to+Me.htm>. In addition, IRS information on extensions is available at <http://www.irs.gov/formspubs/article/0,,id=98155,00.html>.

Remember your own priorities. In the end, clients who don’t cooperate with a practice’s guidelines may not be right for the firm, Ullmann notes. “If a client is late despite guidelines that I clearly provide, I can’t be concerned if they’re not happy,” she says. “This is a mutual effort that requires trust and respect. I have a great team at my firm, and I respect them too much to burden them with problem clients.”

Action Agenda

Advice on putting these tips into practice:

ACTION ITEM	TEAM CHAMPION	DUE DATE
1. Educate clients. Create a procedure to let them know your policy on extensions, what fees may be incurred and why an extension may be necessary.		
2. Accentuate the positive. When broaching the subject of extensions, explain how the process can offer you more time to focus on their tax situation.		
3. Stick to your guns. Late or uncooperative clients disrupt firm processes and create distractions. An extension can help alleviate the problem, but if they won’t accept the idea, consider whether they’re clients worth keeping.		

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